

HOUSE BILL NO. 550

INTRODUCED BY G. GUTSCHE

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A REFUNDABLE EARNED INCOME CREDIT BASED ON A PERCENTAGE OF THE FEDERAL EARNED INCOME CREDIT; PROVIDING FOR A PHASED-IN INCREASE OF THE AMOUNT OF THE CREDIT ALLOWED; REQUIRING THE DEPARTMENT OF REVENUE TO NOTIFY TAXPAYERS OF THEIR POTENTIAL ELIGIBILITY FOR THE CREDIT; REQUIRING THE DEPARTMENT OF REVENUE TO REPORT STATISTICAL INFORMATION ABOUT THE CREDIT TO THE LEGISLATURE AND THE GOVERNOR; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Earned income credit. (1) There is allowed as a credit against the tax imposed by 15-30-103 the applicable percentage of the credit allowed for the federal earned income credit for which a resident individual taxpayer is eligible for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

(2) The amount of the credit allowed under subsection (1) is determined according to the following schedule:

(a) For tax years beginning after December 31, 2000, the amount of the credit is 10% of the amount of the credit determined for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

(b) For tax years beginning after December 31, 2002, the amount of the credit is 15% of the amount of the credit determined for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

(c) For tax years beginning after December 31, 2004, the amount of the credit is 20% of the amount of the credit determined for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

(3) Except for married taxpayers living apart who are treated as single under section 7703(b) of the Internal Revenue Code, 26 U.S.C. 7703(b), the credit is not allowed to married taxpayers if the

1 husband and wife report their income on separate tax returns.

2 (4) The credit is not allowed for temporary residents or nonresidents of the state.

3 (5) The taxpayer is entitled to a refund equal to the amount by which the credit exceeds the
4 taxpayer's tax liability or, if the taxpayer has no tax liability, a refund equal to the amount of the credit.

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6 **NEW SECTION. Section 2. Notification of availability of earned income credit.** The department
7 shall periodically, but not less than every 3 years, make efforts to inform taxpayers that they may be
8 eligible to receive the credit allowed under [section 1]. In making a determination of whether a taxpayer
9 may be eligible for the credit, the department shall use data that may be appropriate and available,
10 including but not limited to data from the U.S. department of the treasury, the internal revenue service,
11 and Montana income tax returns for previous tax years.

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13 **NEW SECTION. Section 3. Report on earned income credit.** (1) The department shall report to
14 the revenue and taxation interim committee at least once each year the number of taxpayers claiming the
15 credit under [section 1] and the total credit claimed. The report must also include but is not limited to
16 information about the average credit claimed and the number of credits and the average credit claimed by
17 taxpayers in each county.

18 (2) The department shall also report the information required under subsection (1) to the legislature
19 and the governor during each regular session of the legislature.

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21 **NEW SECTION. Section 4. Codification instruction.** (1) [Section 1] is intended to be codified as
22 an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply
23 to [section 1].

24 (2) [Sections 2 and 3] are intended to be codified as an integral part of Title 15, chapter 1, part
25 2, and the provisions of Title 15, chapter 1, part 2, apply to [sections 2 and 3].

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27 **NEW SECTION. Section 5. Effective date.** [This act] is effective on passage and approval.

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29 **NEW SECTION. Section 6. Retroactive applicability.** [This act] applies retroactively, within the
30 meaning of 1-2-109, to tax years beginning after December 31, 2000.

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